

ORIGINAL

OPEN MEETING

MEMORANDUM



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AZ CORP COMMISSION
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TO: Docket Control

FROM: Thomas M. Broderick
Director
fov Utilities Division

2016 OCT 18 PM 4 25

DATE: October 18, 2016

RE: IN THE MATTER OF THE APPLICATION OF NAVOPACHE ELECTRIC COOPERATIVE, INC. FOR A DETERMINATION OF THE FAIR VALUE OF ITS PROPERTY FOR RATEMAKING PURPOSES, TO FIX A JUST AND REASONABLE RATE OF RETURN THEREON, TO APPROVE RATES DESIGNED TO DEVELOP SUCH RETURN, AND FOR RELATED APPROVALS (DOCKET NO. E-01787A-16-0144)

Enclosed are the Commission Staff's memorandum and proposed order for the matter of the application of Navopache Electric Cooperative, Inc. for a determination of the fair value of its property for ratemaking purposes, to fix a just and reasonable rate of return thereon, to approve rates designed to develop such return, and for related approvals (Docket No. E-01787A-16-0144). This is only a Staff recommendation to the Commission; it has not yet become an order of the Commission. The Commission can decide to accept, amend or reject Staff's proposed order.

You may file comments to the recommendation(s) of the proposed order by filing an original and thirteen (13) copies of the comments with the Commission's Docket Control Center at 1200 W. Washington St., Phoenix, AZ 85007 by 4:00 p.m. on or before **October 28, 2016**.

This matter may be scheduled for Commission deliberation at its Open Meetings scheduled **November 29, 2016, at 10:00 a.m. and November 30, 2016, at 10:00 a.m.**

If you have any questions about this matter, please contact Pamela Genung of our Staff at (602) 542-0664, or Thomas Broderick, Director, at (602) 542-7270.

TMB:PJG:nr/CHH

Originator: Pamela J. Genung

Attachments

Arizona Corporation Commission

DOCKETED

OCT 18 2016

DOCKETED BY	
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NAVOPACHE ELECTRIC COOPERATIVE, INC.
Docket No. E-01787A-16-0144

On this 18th day of October, 2016, the foregoing document was filed with Docket Control as a Utilities Division Memorandum & Proposed Order, and copies of the foregoing were mailed on behalf of the Utilities Division to the following who have not consented to email service. On this date or as soon as possible thereafter, the Commission's eDocket program will automatically email a link to the foregoing to the following who have consented to email service.

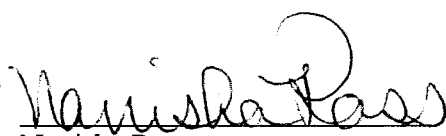
William P. Sullivan
Law Offices of William P. Sullivan, P.L.L.C.
501 East Thomas Road
Phoenix, Arizona 85012

Richard Hamlin
3336 East Sequoia Trail
Phoenix, Arizona 85044

Larry K. Nuzum
5780 Forty Niner Way
Pinetop, Arizona 85935

Janice Alward
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Thomas Broderick
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

By: 
Nanisha Ross
Administrative Support Specialist

**STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

**NAVOPACHE ELECTRIC COOPERATIVE, INC.
DOCKET NO. E-01787A-16-0144**

**IN THE MATTER OF THE APPLICATION OF NAVOPACHE ELECTRIC
COOPERATIVE, INC. FOR A DETERMINATION OF THE FAIR VALUE OF ITS
PROPERTY FOR RATEMAKING PURPOSES, TO FIX A JUST AND REASONABLE
RATE OF RETURN THEREON, TO APPROVE RATES DESIGNED TO DEVELOP
SUCH RETURN, AND FOR RELATED APPROVALS**

OCTOBER 18, 2016

EXECUTIVE SUMMARY
NAVOPACHE ELECTRIC COOPERATIVE, INC.
DOCKET NO. E-01787A-16-0144

Navopache Electric Cooperative, Inc. ("Navopache", "NEC", or "Cooperative") is an Arizona member-owned non-profit rural electric distribution cooperative. NEC is a public service corporation providing electric distribution service to approximately 38,684 meters located in Navajo, Apache, Greenlee and Gila Counties in Arizona and approximately 1,563 meters in Catron County, New Mexico. NEC is a Class A Utility under Arizona Administrative Code ("A.A.C.") R14-2-103(A)(3)(q). A total of one-hundred forty-two (142) oppositions to the rate increase were filed by customers of Navopache. One-hundred twenty-two (122) of the total oppositions were received on or before the objection deadline of June 6, 2016, while the remaining twenty (20) oppositions were received after the June 6, 2016 objection deadline.

NEC proposed a \$2,872,114 or a 6.0 percent system-wide revenue increase from actual test year base revenues (the proposed increase is a 3.74 percent increase from adjusted test year base revenue of \$1,829,461). The proposed revenue requirement would produce a system-wide operating income of \$5,554,609 for a 5.69 percent rate of return on a rate base of \$97,601,550. The Cooperative's requested rates would increase an average residential customer's bill (with usage of 415 kWh) by \$2.67 (4.82 percent) from \$55.27 to \$57.94. The median residential customer with a monthly consumption of 349 kWh would see an increase in his/her bill of \$2.67 (5.38 percent) from \$49.59 to \$52.26. The entire bill increase for residential and small commercial customers will be in the monthly customer charge from \$22.17 to \$24.84.

Staff and NEC are in agreement on all issues in this case. Staff recommends adoption of NEC's proposed revenue requirement of \$57,345,967 and does not recommend a hearing be held in this matter.

STAFF'S RECOMMENDATIONS

Staff makes the following recommendations:

1. The Commission should approve NEC's rates as proposed by NEC in the rate application filed on May 26, 2016.
2. The Cooperative should file with Docket Control, as a compliance item in this Docket, tariffs with a new schedule of rates and charges on or before January 1, 2017.
3. The Cooperative should notify its customers of the revised schedules of rates and charges in a form acceptable to Staff included in its next regularly scheduled billing and by posting on its website.
4. The Cooperative's base cost of power should remain at \$0.066160 per kWh.

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INTRODUCTION

On February 6, 2013, in Decision No. 73649, the Arizona Corporation Commission (“Commission”) adopted a new section in the Arizona Administrative Code (“A.A.C.”) R14-2-107, entitled “Electric or Natural Gas Cooperative Alternative Rate Application Filing Requirements and Process” (“Rule 107”), and amended A.A.C. R14-2-103, the existing rule establishing the filing and processing requirements for a public service corporation rate application (“Rule 103”).

Rule 107 established definitions, eligibility requirements, pre-filing requirements, notice requirements, filing requirements, and deadlines for objections and intervention requests; established the process and timeline for Staff analysis and processing of a cooperative’s rate application filed under Rule 107; and allows a cooperative to request processing of its application under Rule 103 if it is determined to be ineligible for processing under Rule 107.

Rule 107 also allows for Staff, a cooperative, or an intervenor to request an evidentiary hearing. A cooperative is allowed to request withdrawal of its rate application, and the Hearing Division is required to rule on a request for hearing or request for withdrawal and to preside over all further proceedings if an evidentiary hearing is granted. In addition, Rule 107 caps a revenue increase in a rate case at six percent of a cooperative’s actual test year total base revenue; permits a cooperative to have a maximum of five Rule 107 rate cases within a 15-year period between Rule 103 rate cases; permits a cooperative to file only one Rule 107 rate application in any 12-month period; and allows the Commission at any stage of a Rule 107 rate case to determine that a cooperative’s rate application must instead proceed under Rule 103.

On March 30, 2016, Navopache Electric Cooperative, Inc. (“Navopache”, “NEC”, or “Cooperative”) began the process of a rate application under Rule 107. On that day, NEC submitted a Request for Pre-Filing Eligibility Review in accordance with A.A.C. R14-2-107(C). The pre-filing eligibility review included a draft application, a proposed form of customer notice, and a proposed form of recommended order.

Over the next 30 days, Staff reviewed the draft application assessing Rule 107 compliance and also worked with NEC to revise the customer notice so it correctly highlighted the implications of a filing under Rule 107 and the possible bill impacts of the rate increase.

On April 29, 2016, NEC met with Staff in accordance with A.A.C. R14-2-107(C)(3) to review eligibility under A.A.C. R14-2-107(B), finalize the proposed form of customer notice, and discuss the proposed form of recommended order. After that meeting, NEC filed a Request for Docket Number and Notice of Filing Proposed Form of Customer Notice.

On May 19, 2016, NEC filed a certification of mailing for the Customer Notice. The Customer Notice was mailed via first class mail to all NEC customers on May 6, 2016. The Customer Notice stated that objections needed to be filed with the Commission by June 6, 2016. The Customer Notice also indicated that NEC anticipated filing its rate application on or around May 26, 2016.

On May 26, 2016, NEC filed its application for a rate increase ("the Application") under Rule 107 in Docket No. E-01787A-16-0144. This is the second consecutive streamlined application NEC has filed under Rule 107, which provides a shortened timeframe for processing a cooperative's rate application, subject to certain requirements.

By the close of business on June 6, 2016, the Commission had received one hundred twenty-two (122) objections to the rate increase. An additional twenty (20) objections were received after the June 6, 2016 deadline. There were two (2) intervention requests filed by NEC customers. On June 17, 2016, a Procedural Order was issued granting intervention to these two customers. As defined in A.A.C. R14-2-107(B)(14), to proceed with processing a cooperative rate case under Rule 107 the number of objections submitted by the indicated deadline must represent no more than 5 percent of all customer accounts or no more than 1,000 customer accounts, whichever is fewer.

On June 20, 2016, Staff filed a notice of eligibility in the docket indicating that NEC had met all of the requirements outlined in Rule 107 to be eligible to file under the streamlined rules. On the same date, Staff filed a notice of sufficiency indicating the data provided by NEC in its rate application were sufficient in meeting the requirements of a cooperative rate application.

BACKGROUND

NEC is a member-owned Arizona non-profit rural electric cooperative with its principal business office in Lakeside, Arizona. NEC is a public service corporation providing electric distribution service to approximately 38,684 meters located in Navajo, Apache, Greenlee, and Gila Counties in Arizona and approximately 1,563 meters in Catron County, New Mexico. Of that total in Arizona, approximately 90 percent are Residential customers. The remainder is a mix of Commercial, Industrial, Irrigation and Lighting customers. NEC's Board of Directors oversees all aspects of NEC's operations. On March 23, 2016, NEC's Board of Directors approved the filing of this Application. NEC is a Class A Utility under A.A.C. R14-2-103(A)(3)(q).

NEC's last rate case was filed on September 11, 2014. In Decision No. 74995 dated March 16, 2015, the Commission determined a revenue increase of 4.00 percent was justified and reasonable. This rate increase went into effect April 1, 2015.

APPLICATION

NEC is requesting a system-wide rate increase of 6.0% over actual test year base revenue (3.74 percent over adjusted test year base revenue). NEC's test year is the 12 months ending September 30, 2015. Actual test year base revenue was \$47,874,534. NEC's proposed rate increase of 6.0 percent is equal to \$2,872,114 over actual test year base revenue (the increase is \$1,829,461 when compared to adjusted test year base revenue). The annual gross revenue for NEC inclusive of the increase will be \$57,345,967.

The requested rate increase for all residential and small commercial customers is represented by an increase in the monthly customer charge. For residential customers in the NEC service area this rate change represents an increase to the customer monthly bill of \$2.67.

NEC indicated that the rate increase is necessary to recover increased operating costs and to maintain the financial integrity of the Cooperative.

ELIGIBILITY

For a cooperative to utilize the streamlined rate case process referred to as Rule 107, several eligibility requirements must be met prior to beginning the process. As documented in the notice of eligibility, Staff agrees that NEC has taken the necessary steps to comply with the eligibility requirements of Rule 107.

STAFF ANALYSIS

To complete analysis of the Application, Staff reviewed the purchased power costs; the fuel bank balance; the base revenue increase and test year data; the level of increase requested for each rate schedule/class; the electric system characteristics (including customer growth, peak demand and load profile), annual system losses, quality of service, distribution system inspection, and projected system growth (including system improvements, upgrades, and new additions) to ensure future system efficiency and reliability; the proposed rate base, revenue, and expenses; and the proposed revenue requirement. Staff also completed a compliance review.

NEC reported purchased power costs for the test year equal to \$31,312,819. Through a sampling of invoices provided by NEC to support reported purchased power costs, Staff found an unreconciled difference that was *de minimis* (less than 1 one-thousandths of a percent). Staff concluded that an adjustment was not needed.

Staff reviewed the costs and volumes reported in the monthly fuel adjustor filings for the test year in comparison with those reported in the Application. NEC accidentally included Cooperative use lighting each month in its calculation of total system sales which amounted to less than a hundredths of a percent of total sales. Staff determined this amount to be *de minimis* as Staff was able to reconcile the remainder of jurisdictional sales in the Application.

NEC did not calculate a new base cost of power in the Application. Rule 107 specifies that the increase request of a maximum of 6 percent is in base revenue, not attributed to revenue from an adjustor mechanism. As established in Decision No. 73255, the base cost of power (\$0.066160 per kWh) remains unchanged for the purpose of calculating the Purchased Power Cost Adjustor ("PPCA"). The PPCA is designed to recover or refund the difference between the base cost of power included in the Cooperative's base rates and the actual cost of power.

Since purchased power costs flowed through the PPCA during the test year, it was necessary to re-calculate the PPCA revenue and restate the PPCA for purposes of the adjusted test year revenue. A PPCA revenue adjustment was incorporated in the adjusted test year PPCA revenue to account for what should have been collected by the PPCA when comparing adjusted purchased power costs to the revenue already collected through base rates. Staff matched the (\$1,292,778) PPCA revenue adjustment in NEC's Application.

In addition, as the PPCA revenue was re-calculated based on the purchased power costs, it was necessary to neutralize the effect of revenue from the adjustor during the test year. As a result, the PPCA over/under recovery balance from the beginning of the test year, October 2014, to the end of the test year, September 2015, resulted in an over recovery of revenue from the PPCA. A corresponding adjustment for the same dollar amount in the opposite direction was necessary to zero out the effect of the PPCA balance during the test year.

Staff was also able to verify the increase in base revenue from the test year reported revenue. The \$1,043,011 increase to base revenue was directly related to the fact that new rates were approved. Since Arizona rates became effective April 1, 2015, it was necessary to increase base revenue by \$991,594 to make test year revenue reflect twelve (12) months of new rates. New Mexico rates became effective May 1, 2016, therefore, New Mexico base revenue was increased by \$51,419 to reflect twelve (12) months of new rates.

As shown in Schedule PJG-1, NEC provided proof of revenue broken down by rate schedule. All residential monthly customer charge increases are less than 25 percent, the overall base revenue increase, excluding PPCA revenue, is no more than 6 percent, and all rate class increases are within 150 percent of the base revenue increase requested.

Test year sales data were broken down into volumes sold by rate schedule and rate class. NEC did not make adjustments to test year volumes and indicated those volumes were reflective of future sales information. All data was provided for Arizona, New Mexico, and Total System.

Schedule PJG-2 displays typical bill analysis detail for each rate schedule. As specified earlier, PJG-2 details a 4.82 percent increase in base revenue for Residential customers resulting in an increase in an average customer's monthly bill of \$2.67. Staff historically has been in favor of a rate increase being partly comprised of an increase in the monthly customer charge and an increase in the energy charge. By doing so, this gives the customer the ability to minimize the impact of the rate increase by decreasing customer usage. However, Staff has not recommended modifications in this streamlined rate case to spread the increase over the monthly customer charge and the energy charge. Staff retains the option of recommending modifications to the structure of the rate increase in future filings.

Attachment A details Staff's Engineering Report for the Application. Included in the Engineering Report is a review of the electric system, annual system losses, quality of service, projected system growth, and the results of a field inspection. An inspection of the distribution system, included major substations, construction projects completed since the last rate case, and newly acquired facilities. The system appeared to be operating and properly maintained.

Attachment B details the Financial and Regulatory Analysis Review of the Application. Staff reviewed the Cooperative's proposed rate base, revenues, and expenses. No adjustments were requested by Staff.

The Financial and Regulatory Analysis Review also looked at the proposed revenue requirement which would produce a return or operating income of \$5,554,609 for a 5.69 percent

rate of return on a rate base of \$97,601,550. Staff agrees with NEC's proposed system-wide revenue requirement of \$57,345,967.

The Consumer Services Review of NEC included an examination of the complaint history, bill format compliance, and the Corporations Division of the Commission status. Staff reviewed the Commission's records from January 1, 2013, through September 7, 2016, and found sixty-eight (68) complaints during that period of time. One complaint remains open pending investigation. All other complaints have been resolved and closed.

As noted above, by close of business on June 6, 2016, Consumer Services had received one hundred twenty-two (122) customer opinions in opposition to the Application which is within the limits to proceed under Rule 107. An additional twenty (20) customer opinions were received after the June 6, 2016 deadline. There were two (2) intervention requests filed by NEC customers. By Procedural Order issued June 17, 2016, intervention was granted to these two customers. Consumer Services also indicated the Cooperative's bill format is in compliance with A.A.C. R14-2-210(B)(2) and the Corporations Division of the Commission finds the Cooperative in "Good Standing".

STAFF RECOMMENDATIONS

As has been detailed above, Staff found that NEC is eligible to process a rate increase request under Rule 107 and found the Cooperative's supporting documentation sufficient to support its requested 6.0 percent increase in actual test year base revenue.

Staff recommends adoption of NEC's proposed system-wide rate base of \$97,601,550, revenues of \$57,345,967, and expenses of \$51,791,358.

Staff recommends an increase in total system-wide revenue equal to 6.0 percent over actual test year base revenue yielding a rate increase of \$2,872,114 (the rate increase is \$1,829,461 or 3.74 percent when compared to adjusted test year base revenue) as filed in NEC's Application.

Staff has reviewed the proposed rate increase for each customer class and is in agreement with the proposed increases. Staff does not agree that every rate schedule increase for residential and small commercial customers in the future should be limited to increases in just the customer charge.

Staff recommends that NEC file with Docket Control, as a compliance item in this Docket, tariffs consistent with the rates and charges approved in this Docket on or before January 1, 2017.

Staff recommends that NEC provide notice to its customers of the rate increase approved by the Commission in the next regularly scheduled billing cycle in a form acceptable to Staff and by posting a notice on its website.

Staff concludes that NEC is operating and maintaining its electrical system properly. Staff concludes that NEC's service losses are at an acceptable level consistent with industry guidelines and NEC's historical service interruptions reflect a satisfactory quality of service. Staff further concludes

Navopache Electric Cooperative, Inc.

Docket No. E-01787A-16-0144

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that the plants, facilities, and equipment in service for the Arizona service territory are used and useful and NEC's improvements, system upgrades, and new construction are reasonable and appropriate.

Staff is not requesting that a hearing be held in this matter.

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Docket No. E-01787A-16-0144
Test Year Ended September 30, 2015

ELECTRIC RATE COMPONENTS - REVENUES AT PRESENT AND PROPOSED RATES

CUSTOMER CLASS		TEST YEAR		STAFF AND COMPANY		% INCREASE OVER	\$
		ENDED 09/30/2015	PRESENT	PROPOSED	PROPOSED	ADJUSTED REVENUE	
		RATES	REVENUE	RATES	REVENUE	(EXCLUDING PCA	OVER ADJUSTED
						& OTHER REVENUE	REVENUE
RESIDENTIAL							
Residential							
Consumers (12-month sum)							
First	400 kWh per month	22.17	\$ 8,436,572	\$ 24.84	\$ 9,452,614		
Over	400 kWh per month	0.078580	\$ 7,703,554	\$ 0.078580	\$ 7,703,554		
Subtotal		0.119070	\$ 7,038,690	\$ 0.119070	\$ 7,038,690		
PCA			\$ 23,178,816		\$ 24,194,858		
Total			\$ 2,325,640		\$ 2,325,640		
			\$ 25,504,456		\$ 26,520,498		
Residential-TOU 6 Month							
Consumers (12-month sum)							
kWh - On Peak		28.67	\$ 383,461	\$ 31.34	\$ 419,173		
kWh - Off Peak		0.144390	\$ 534,479	\$ 0.144390	\$ 534,479		
Subtotal		0.055840	\$ 575,473	\$ 0.055840	\$ 575,473		
PCA			\$ 1,493,414		\$ 1,529,125		
Total			\$ 207,295		\$ 207,295		
			\$ 1,700,709		\$ 1,736,420		
Residential-TOU 12 Month							
Consumers (12-month sum)							
kWh - On Peak		28.67	\$ 1,359,646	\$ 31.34	\$ 1,486,268		
kWh - Off Peak		0.144390	\$ 2,423,359	\$ 0.144390	\$ 2,423,359		
Subtotal		0.055840	\$ 1,791,659	\$ 0.055840	\$ 1,791,659		
PCA			\$ 5,574,664		\$ 5,701,286		
Total			\$ 723,212		\$ 723,212		
			\$ 6,297,876		\$ 6,424,498		
Total Base Revenue			\$ 30,246,894		\$ 31,425,269		
Total PCA Revenue			\$ 3,256,147		\$ 3,256,147		
Total Residential Revenue			\$ 33,503,041		\$ 34,681,416	3.90%	\$ 1,178,375
COMMERCIAL AND INDUSTRIAL							
Commercial & Industrial							
Consumers (12-month sum)							
Billed kW		124.00	\$ 346,704	\$ 129.00	\$ 360,684		
First		10.15	\$ 2,127,046	\$ 10.50	\$ 2,200,392		
Over		0.081400	\$ 3,816,267	\$ 0.086110	\$ 4,037,085		
Subtotal		0.030460	\$ 353,011	\$ 0.032220	\$ 373,409		
PCA			\$ 6,643,028		\$ 6,971,570		
Total			\$ 865,330		\$ 865,330		
			\$ 7,508,358		\$ 7,836,900		
Commercial & Industrial-P2i							
Consumers (12-month sum)							
Billed kW		252.00	\$ 5,040	\$ 262.00	\$ 5,240		
First		10.15	\$ 10,219	\$ 10.50	\$ 10,571		
Over		0.081400	\$ 19,402	\$ 0.086110	\$ 20,525		
Subtotal		0.030460	\$ 2,470	\$ 0.032220	\$ 2,613		
PCA		-3.00%	\$ (963)		\$ (1,011)		
Total			\$ 36,168		\$ 37,937		
Primary Discount - Demand & Energy							
Subtotal			\$ 4,727		\$ 4,727		
PCA			\$ 40,895		\$ 42,664		
Total			\$		\$		

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Docket No. E-01787A-16-0144
Test Year Ended September 30, 2015

ELECTRIC RATE COMPONENTS - REVENUES AT PRESENT AND PROPOSED RATES

CUSTOMER CLASS	TEST YEAR ENDED 09/30/2015		STAFF AND COMPANY PROPOSED		% INCREASE OVER ADJUSTED REVENUE (EXCLUDING PCA & OTHER REVENUE	\$ INCREASE OVER ADJUSTED REVENUE
	PRESENT RATES	REVENUE	PRESENT RATES	PROPOSED REVENUE		
Commercial & Industrial-TOU						
Consumers (12-month sum)						
Billed kW	605	\$ 160.00	\$ 96,800	\$ 166.50	\$ 100,733	
Billed kW On Peak	72,838	10.05	732,019	10.40	757,512	
kWh	72,596	14.50	1,052,640	14.50	1,052,640	
Subtotal	30,881,134	0.026790	827,306	0.028340	875,171	
PCA	30,881,134		2,708,764		2,786,055	
Total			457,010		457,010	
			3,165,774		3,243,065	
Commercial & Industrial-TOU-Pri						
Consumers (12-month sum)						
Billed kW	72	252.00	18,144	262.00	18,864	
Billed kW On Peak	44,329	10.05	445,510	10.40	461,025	
kWh	43,677	14.50	633,314	14.50	633,314	
Subtotal	13,939,303	0.026790	373,434	0.028340	395,040	
PCA	13,939,303	-3.00%	(43,568)	-3.00%	(44,681)	
Total			1,426,834		1,463,561	
			206,288		206,288	
			1,633,122		1,669,849	
Total Base Revenue			10,814,793		11,259,123	
Total PCA Revenue			1,533,355		1,533,355	
Total Commercial & Industrial Revenue			12,348,148		12,792,478	4.11%
						\$ 444,330
SMALL COMMERCIAL						
Small Commercial						
Consumers (12-month sum)						
Billed kW	37,966	27.23	1,033,814	30.18	1,145,814	
Subtotal	48,978,023	0.098260	4,812,581	0.098260	4,812,581	
PCA	48,978,023		5,846,395		5,958,394	
Total			724,826		724,826	
			6,571,221		6,683,220	
Small Commercial-TOU 6 Month						
Consumers (12-month sum)						
kWh - On Peak (Billed Nov-April)	1,194	36.78	43,915	39.73	47,438	
kWh - Off Peak (Billed Nov-April)	452,220	0.155100	70,139	0.155100	70,139	
kWh (Billed May-October)	875,868	0.065540	57,404	0.065540	57,404	
Subtotal	1,106,547	0.098260	108,729	0.098260	108,729	
PCA	2,434,635		280,188		283,711	
Total			36,030		36,030	
			316,218		319,741	
Small Commercial-TOU 12 Month						
Consumers (12-month sum)						
kWh - On Peak	564	36.78	20,744	39.73	22,408	
kWh - Off Peak	435,075	0.155100	67,480	0.155100	67,480	
Subtotal	744,319	0.065540	48,783	0.065540	48,783	
PCA	1,178,394		137,007		138,671	
Total			17,454		17,454	
			154,461		156,125	
Total Base Revenue			6,263,590		6,380,776	
Total PCA Revenue			778,310		778,310	
Total Small Commercial Revenue			7,041,900		7,159,086	1.87%
						\$ 117,186

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Docket No. E-01787A-16-0144
Test Year Ended September 30, 2015

ELECTRIC RATE COMPONENTS - REVENUES AT PRESENT AND PROPOSED RATES

CUSTOMER CLASS	TEST YEAR ENDED 09/30/2015		STAFF AND COMPANY PROPOSED		% INCREASE OVER ADJUSTED REVENUE (EXCLUDING PCA & OTHER REVENUE	\$ INCREASE OVER ADJUSTED REVENUE
	PRESENT RATES	PRESENT REVENUE	PROPOSED RATES	PROPOSED REVENUE		
IRRIGATION AND WATER PUMPING						
Irrigation & Water Pumping						
Consumers (12-month sum)						
Billed kW	1,555	\$ 40.23	\$ 43.18	\$ 67,145		
kWh	45,487	\$ 5.24	\$ 5.53	\$ 251,541		
Subtotal	7,410,294	\$ 0.094300	\$ 0.099480	\$ 737,176		
PCA				\$ 1,055,862		
Total		\$ 1,109,363		\$ 1,165,527		
Irrigation & Water Pumping TOU						
Consumers (12-month sum)						
Billed kW	148	\$ 45.23	\$ 48.18	\$ 7,131		
Billed kW On Peak	4,661	\$ 5.50	\$ 5.80	\$ 27,034		
kWh	4,590	\$ 9.43	\$ 9.95	\$ 45,672		
Subtotal	1,100,432	\$ 0.042140	\$ 0.044450	\$ 48,914		
PCA	1,100,432			\$ 128,750		
Total		\$ 138,272		\$ 145,035		
Total Base Revenue	8,510,726			\$ 1,184,612		
Total PCA Revenue		\$ 125,950		\$ 125,950		
Total Irrigation & Water Pumping Revenue		\$ 1,247,635		\$ 1,310,562	5.61%	\$ 62,927
LIGHTING						
Security Lights - Consumer Owned						
175 Watt MVL	550	9.09	\$ 9.60	\$ 5,280		
250 Watt MVL	24	11.77	\$ 12.43	\$ 298		
175 kWh/Month	36	19.28	\$ 20.36	\$ 733		
100 Watt HPS	3,048	5.89	\$ 6.22	\$ 18,959		
150 Watt HPS	600	8.33	\$ 8.80	\$ 5,280		
250 Watt HPS	825	10.96	\$ 11.57	\$ 9,545		
Subtotal	5,083			\$ 40,095		
Security Lights - Cooperative Owned						
175 Watt MVL	2,682	10.98	\$ 11.60	\$ 31,111		
250 Watt MVL	5,063	14.33	\$ 15.13	\$ 76,603		
400 Watt MVL	108	23.18	\$ 24.48	\$ 2,644		
100 Watt HPS	28,284	9.13	\$ 9.64	\$ 272,658		
150 Watt HPS	-	11.57	\$ 12.22	\$ -		
250 Watt HPS	72	14.19	\$ 14.99	\$ 1,079		
Subtotal	36,209			\$ 384,095		
Security Lights - Pole Charges						
Pole Charges	10,370	4.17	\$ 4.40	\$ 45,628		
Street Lights - Cooperative Owned						
175 Watt MVL	-	10.98	\$ 11.60	\$ -		
250 Watt MVL	12	13.29	\$ 14.04	\$ 168		
400 Watt MVL	-	23.18	\$ 24.48	\$ -		
1000 Watt MVL	-	41.90	\$ 44.25	\$ -		
Subtotal	12			\$ 168		

5.61%

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Docket No. E-01787A-16-0144
Test Year Ended September 30, 2015

ELECTRIC RATE COMPONENTS - REVENUES AT PRESENT AND PROPOSED RATES

CUSTOMER CLASS	TEST YEAR ENDED 09/30/2015			STAFF AND COMPANY PROPOSED		% INCREASE OVER ADJUSTED REVENUE (EXCLUDING PCA & OTHER REVENUE	INCREASE OVER ADJUSTED REVENUE
	PRESENT RATES	PRESENT REVENUE	PRESENT RATES	PROPOSED RATES	PROPOSED REVENUE		
<u>Street Lights - Consumer Owned</u>							
100 Watt HPS	600	\$ 5.89	\$ 3,534	\$ 6.22	\$ 3,732		
150 Watt HPS	2,520	\$ 8.33	\$ 20,992	\$ 8.80	\$ 22,176		
250 Watt HPS	84	\$ 10.96	\$ 921	\$ 11.57	\$ 972		
Subtotal	3,228	\$ 25,446			\$ 26,880		
Total Base Revenue	2,008,440	\$ 470,577			\$ 496,867		
Total PCA Revenue		\$ 30,136			\$ 30,136		
Total Lighting Revenue		\$ 500,713			\$ 527,003	5.59%	\$ 26,290
TOTAL							
Base Revenue	386,748,141	\$ 48,917,538			\$ 50,746,647		
PCA Revenue		\$ 5,723,898			\$ 5,723,898		
Other Revenue		\$ 875,063			\$ 875,063		
Total Revenue		\$ 55,516,499			\$ 57,345,608	3.74%	\$ 1,829,109

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Docket No. E-01787A-16-0144
Test Year Ended September 30, 2015
TYPICAL BILL ANALYSIS - BASE REVENUE ONLY

RESIDENTIAL, SCHOOLS, CHURCHES, AND COMMUNITY HALLS
STANDARD RATE

kWh USAGE		EXISTING RATE	PROPOSED RATE	\$ INCREASE	% INCREASE
Customer Charge		\$ 22.17	\$ 24.84	\$ 2.67	12.04%
Energy Charge, per kWh					
First	400 kWh per month	\$ 0.07858	\$ 0.07858	\$ -	0%
Over	400 kWh per month	\$ 0.11907	\$ 0.11907	\$ -	0%
	50	\$ 26.10	\$ 28.77	\$ 2.67	10.23%
	100	\$ 30.03	\$ 32.70	\$ 2.67	8.89%
	250	\$ 41.82	\$ 44.49	\$ 2.67	6.38%
	500	\$ 65.51	\$ 68.18	\$ 2.67	4.08%
	750	\$ 95.28	\$ 97.95	\$ 2.67	2.80%
	1,000	\$ 125.04	\$ 127.71	\$ 2.67	2.14%
	1,500	\$ 184.58	\$ 187.25	\$ 2.67	1.45%
	2,000	\$ 244.11	\$ 246.78	\$ 2.67	1.09%
	3,000	\$ 363.18	\$ 365.85	\$ 2.67	0.74%
	5,000	\$ 601.32	\$ 603.99	\$ 2.67	0.44%
Average	415	\$ 55.39	\$ 58.06	\$ 2.67	4.82%
Median	349	\$ 49.59	\$ 52.26	\$ 2.67	5.38%

RESIDENTIAL, SCHOOLS, CHURCHES, AND COMMUNITY HALLS
OPTIONAL TIME-OF-USE ("TOU") RATE

kWh USAGE			EXISTING	PROPOSED	\$ INCREASE	% INCREASE
TOTAL	ON PEAK	OFF PEAK	RATE	RATE		
	34%	66%				
Customer Charge			\$ 28.67	\$ 31.34	\$ 2.67	9.31%
Energy Charge, per kWh						
On Peak kWh			\$ 0.144390	\$ 0.144390	\$ -	0%
Off Peak kWh			\$ 0.055840	\$ 0.055840	\$ -	0%
50	17	33	\$ 32.97	\$ 35.64	\$ 2.67	8.10%
100	34	66	\$ 37.26	\$ 39.93	\$ 2.67	7.16%
250	85	165	\$ 50.16	\$ 52.83	\$ 2.67	5.32%
500	170	330	\$ 71.64	\$ 74.31	\$ 2.67	3.73%
750	255	495	\$ 93.13	\$ 95.80	\$ 2.67	2.87%
1,000	340	660	\$ 114.62	\$ 117.29	\$ 2.67	2.33%
1,500	510	990	\$ 157.59	\$ 160.26	\$ 2.67	1.69%
2,000	680	1,320	\$ 200.56	\$ 203.23	\$ 2.67	1.33%
3,000	1,020	1,980	\$ 286.51	\$ 289.18	\$ 2.67	0.93%
5,000	1,700	3,300	\$ 458.41	\$ 461.08	\$ 2.67	0.58%
Average						
1,033	351	682	\$ 117.43	\$ 120.10	\$ 2.67	2.27%
Median						
898	349	549	\$ 109.72	\$ 112.39	\$ 2.67	2.43%

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Docket No. E-01787A-16-0144
Test Year Ended September 30, 2015
TYPICAL BILL ANALYSIS - BASE REVENUE ONLY

COMMERCIAL AND INDUSTRIAL SERVICE - ABOVE 50 KVA
SECONDARY LEVEL SERVICE

SECONDARY LEVEL SERVICE			EXISTING	PROPOSED			
LOAD FACTOR	KW	kWh	RATE	RATE	\$ INCREASE	% INCREASE	
Customer Charge			\$ 124.00	\$ 129.00	\$ 5.00	4.03%	
Demand Charge, per Billing kW			\$ 10.15	\$ 10.50	\$ 0.35	3.45%	
Energy Charge, per kWh							
First	300 kWh per billing kW		\$ 0.081400	\$ 0.086110	\$ 0.004710	5.79%	
Over	300 kWh per billing kW		\$ 0.030460	\$ 0.032220	\$ 0.001760	5.78%	
20.00%	50	7,300	\$ 1,225.72	\$ 1,282.60	\$ 56.88	4.64%	
40.00%	50	14,600	\$ 1,819.94	\$ 1,911.21	\$ 91.27	5.02%	
60.00%	50	21,900	\$ 2,062.67	\$ 2,167.97	\$ 105.30	5.11%	
80.00%	50	29,200	\$ 2,285.03	\$ 2,403.17	\$ 118.14	5.17%	
20.00%	100	14,600	\$ 2,327.44	\$ 2,436.21	\$ 108.77	4.67%	
40.00%	100	29,200	\$ 3,515.88	\$ 3,693.41	\$ 177.53	5.05%	
60.00%	100	43,800	\$ 4,001.35	\$ 4,206.94	\$ 205.59	5.14%	
80.00%	100	58,400	\$ 4,446.06	\$ 4,677.35	\$ 231.29	5.20%	
20.00%	250	36,500	\$ 5,632.60	\$ 5,897.02	\$ 264.42	4.69%	
40.00%	250	73,000	\$ 8,603.70	\$ 9,040.03	\$ 436.33	5.07%	
60.00%	250	109,500	\$ 9,817.37	\$ 10,323.84	\$ 506.47	5.16%	
80.00%	250	146,000	\$ 10,929.16	\$ 11,499.87	\$ 570.71	5.22%	
20.00%	500	73,000	\$ 11,141.20	\$ 11,665.03	\$ 523.83	4.70%	
40.00%	500	146,000	\$ 17,083.40	\$ 17,951.06	\$ 867.66	5.08%	
60.00%	500	219,000	\$ 19,510.74	\$ 20,518.68	\$ 1,007.94	5.17%	
80.00%	500	292,000	\$ 21,734.32	\$ 22,870.74	\$ 1,136.42	5.23%	
Average	38.55%	75	21,108	\$ 2,603.44	\$ 2,734.11	\$ 130.67	5.02%
Median	59.38%	41	17,772	\$ 1,708.05	\$ 1,794.96	\$ 86.91	5.09%

COMMERCIAL AND INDUSTRIAL SERVICE - ABOVE 50 KVA
OPTIONAL TIME-OF-USE ("TOU") RATE

OFF PEAK TIME OF USE (100 % RATE)				ON PEAK	EXISTING	PROPOSED		
LOAD FACTOR	kW	kW	kWh	RATE	RATE	\$ INCREASE	% INCREASE	
Customer Charge				\$ 160.00	\$ 166.50	\$ 6.50	4.06%	
Demand Charge, per Billing kW				\$ 10.05	\$ 10.40	\$ 0.35	3.48%	
On Peak Demand Charge, per On Peak kW				\$ 14.50	\$ 14.50	\$ -	0.00%	
Energy Charge, per kWh				\$ 0.026790	\$ 0.028340	\$ 0.001550	5.79%	
20.00%	50	50	7,300	\$ 1,583.07	\$ 1,618.38	\$ 35.31	2.23%	
40.00%	50	50	14,600	\$ 1,778.63	\$ 1,825.26	\$ 46.63	2.62%	
60.00%	50	50	21,900	\$ 1,974.20	\$ 2,032.15	\$ 57.95	2.94%	
80.00%	50	50	29,200	\$ 2,169.77	\$ 2,239.03	\$ 69.26	3.19%	
20.00%	100	100	14,600	\$ 3,006.13	\$ 3,070.26	\$ 64.13	2.13%	
40.00%	100	100	29,200	\$ 3,397.27	\$ 3,484.03	\$ 86.76	2.55%	
60.00%	100	100	43,800	\$ 3,788.40	\$ 3,897.79	\$ 109.39	2.89%	
80.00%	100	100	58,400	\$ 4,179.54	\$ 4,311.56	\$ 132.02	3.16%	
20.00%	250	250	36,500	\$ 7,275.34	\$ 7,425.91	\$ 150.57	2.07%	
40.00%	250	250	73,000	\$ 8,253.17	\$ 8,460.32	\$ 207.15	2.51%	
60.00%	250	250	109,500	\$ 9,231.01	\$ 9,494.73	\$ 263.72	2.86%	
80.00%	250	250	146,000	\$ 10,208.84	\$ 10,529.14	\$ 320.30	3.14%	
20.00%	500	500	73,000	\$ 14,390.67	\$ 14,685.32	\$ 294.65	2.05%	
40.00%	500	500	146,000	\$ 16,346.34	\$ 16,754.14	\$ 407.80	2.49%	
60.00%	500	500	219,000	\$ 18,302.01	\$ 18,822.96	\$ 520.95	2.85%	
80.00%	500	500	292,000	\$ 20,257.68	\$ 20,891.78	\$ 634.10	3.13%	
Average	57.49%	122	121	51,043	\$ 4,507.27	\$ 4,635.45	\$ 128.18	2.84%
Median	72.03%	61	57	32,075	\$ 2,458.84	\$ 2,536.41	\$ 77.57	3.15%

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Docket No. E-01787A-16-0144
Test Year Ended September 30, 2015
TYPICAL BILL ANALYSIS - BASE REVENUE ONLY

**SMALL COMMERCIAL
STANDARD RATE**

<u>kWh USAGE</u>	<u>EXISTING RATE</u>	<u>PROPOSED RATE</u>	<u>\$ INCREASE</u>	<u>% INCREASE</u>
Customer Charge	\$ 27.23	\$ 30.18	\$ 2.95	10.83%
Energy Charge, per kWh	\$ 0.098260	\$ 0.098260	\$ -	0.00%
50	\$ 32.14	\$ 35.09	\$ 2.95	9.18%
100	\$ 37.06	\$ 40.01	\$ 2.95	7.96%
250	\$ 51.80	\$ 54.75	\$ 2.95	5.69%
500	\$ 76.36	\$ 79.31	\$ 2.95	3.86%
750	\$ 100.93	\$ 103.88	\$ 2.95	2.92%
1,000	\$ 125.49	\$ 128.44	\$ 2.95	2.35%
1,500	\$ 174.62	\$ 177.57	\$ 2.95	1.69%
2,000	\$ 223.75	\$ 226.70	\$ 2.95	1.32%
3,000	\$ 322.01	\$ 324.96	\$ 2.95	0.92%
5,000	\$ 518.53	\$ 521.48	\$ 2.95	0.57%
Average				
1,306	\$ 155.56	\$ 158.51	\$ 2.95	1.90%
Median				
548	\$ 81.08	\$ 84.03	\$ 2.95	3.64%

**SMALL COMMERCIAL
OPTIONAL TIME-OF-USE ("TOU") RATE**

<u>kWh USAGE</u>	<u>ON PEAK 37%</u>	<u>OFF PEAK 63%</u>	<u>EXISTING RATE</u>	<u>PROPOSED RATE</u>	<u>\$ INCREASE</u>	<u>% INCREASE</u>
Customer Charge			\$ 36.78	\$ 39.73	\$ 2.95	8.02%
Energy Charge, per kWh						
On Peak kWh			\$ 0.155100	\$ 0.155100	\$ -	0%
Off Peak kWh			\$ 0.065540	\$ 0.065540	\$ -	0%
50	19	31	\$ 41.76	\$ 44.71	\$ 2.95	7.06%
100	37	63	\$ 46.65	\$ 49.60	\$ 2.95	6.32%
250	93	157	\$ 61.49	\$ 64.44	\$ 2.95	4.80%
500	185	315	\$ 86.12	\$ 89.07	\$ 2.95	3.43%
750	278	472	\$ 110.83	\$ 113.78	\$ 2.95	2.66%
1,000	370	630	\$ 135.46	\$ 138.41	\$ 2.95	2.18%
1,500	555	945	\$ 184.80	\$ 187.75	\$ 2.95	1.60%
2,000	740	1,260	\$ 234.13	\$ 237.08	\$ 2.95	1.26%
3,000	1,110	1,890	\$ 332.81	\$ 335.76	\$ 2.95	0.89%
5,000	1,850	3,150	\$ 530.17	\$ 533.12	\$ 2.95	0.56%
Average						
2,091	771	1,320	\$ 242.87	\$ 245.82	\$ 2.95	1.21%
Median						
1,189	348	841	\$ 145.87	\$ 148.82	\$ 2.95	2.02%

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Docket No. E-01787A-16-0144
Test Year Ended September 30, 2015
TYPICAL BILL ANALYSIS - BASE REVENUE ONLY

IRRIGATION AND WATER PUMPING
STANDARD RATE

LOAD FACTOR	kW	kWh	EXISTING RATE	PROPOSED RATE	\$ INCREASE	% INCREASE	
Customer Charge			\$ 40.23	\$ 43.18	\$ 2.95	7.33%	
Demand Charge, per Billing kW			\$ 5.24	\$ 5.53	\$ 0.29	5.53%	
Energy Charge, per kWh			\$ 0.094300	\$ 0.099480	\$ 0.005180	5.49%	
5.00%	50	1,825	\$ 474.33	\$ 501.23	\$ 26.90	5.67%	
25.00%	10	1,825	\$ 264.73	\$ 280.03	\$ 15.30	5.78%	
45.00%	10	3,285	\$ 402.41	\$ 425.27	\$ 22.86	5.68%	
65.00%	10	4,745	\$ 540.08	\$ 570.51	\$ 30.43	5.63%	
5.00%	25	913	\$ 257.33	\$ 272.26	\$ 14.93	5.80%	
25.00%	25	4,563	\$ 601.52	\$ 635.36	\$ 33.84	5.63%	
45.00%	25	8,213	\$ 945.72	\$ 998.46	\$ 52.74	5.58%	
65.00%	25	11,863	\$ 1,289.91	\$ 1,361.56	\$ 71.65	5.55%	
5.00%	50	1,825	\$ 474.33	\$ 501.23	\$ 26.90	5.67%	
25.00%	50	9,125	\$ 1,162.72	\$ 1,227.44	\$ 64.72	5.57%	
45.00%	50	16,425	\$ 1,851.11	\$ 1,953.64	\$ 102.53	5.54%	
65.00%	50	23,725	\$ 2,539.50	\$ 2,679.84	\$ 140.34	5.53%	
5.00%	100	3,650	\$ 908.43	\$ 959.28	\$ 50.85	5.60%	
25.00%	100	18,250	\$ 2,285.21	\$ 2,411.69	\$ 126.48	5.53%	
45.00%	100	32,850	\$ 3,661.99	\$ 3,864.10	\$ 202.11	5.52%	
65.00%	100	47,450	\$ 5,038.77	\$ 5,316.51	\$ 277.74	5.51%	
Average	22.36%	29	4,742	\$ 639.62	\$ 675.56	\$ 35.94	5.62%
Median	39.36%	11	3,017	\$ 379.75	\$ 401.38	\$ 21.63	5.70%

IRRIGATION AND WATER PUMPING
OPTIONAL TIME-OF-USE ("TOU") RATE

LOAD FACTOR	kW	ON PEAK kW 98%	kWh	EXISTING RATE	PROPOSED RATE	\$ INCREASE	% INCREASE
Customer Charge				\$ 45.23	\$ 48.18	\$ 2.95	6.52%
Demand Charge, per Billing kW				\$ 5.50	\$ 5.80	\$ 0.30	5.45%
On Peak Demand Charge, per On Peak kW				\$ 9.43	\$ 9.95	\$ 0.52	5.51%
Energy Charge, per kWh				\$ 0.042140	\$ 0.044450	\$ 0.002310	5.48%
5.00%	10	10	365	\$ 208.03	\$ 219.91	\$ 11.88	5.71%
25.00%	10	10	1,825	\$ 269.55	\$ 284.81	\$ 15.26	5.66%
45.00%	10	10	3,285	\$ 331.07	\$ 349.71	\$ 18.64	5.63%
65.00%	10	10	4,745	\$ 392.60	\$ 414.61	\$ 22.01	5.61%
5.00%	25	25	913	\$ 452.24	\$ 477.54	\$ 25.30	5.59%
25.00%	25	25	4,563	\$ 606.05	\$ 639.78	\$ 33.73	5.57%
45.00%	25	25	8,213	\$ 759.86	\$ 802.02	\$ 42.16	5.55%
65.00%	25	25	11,863	\$ 913.67	\$ 964.27	\$ 50.60	5.54%
5.00%	50	49	1,825	\$ 859.21	\$ 906.85	\$ 47.64	5.54%
25.00%	50	49	9,125	\$ 1,166.83	\$ 1,231.34	\$ 64.51	5.53%
45.00%	50	49	16,425	\$ 1,474.45	\$ 1,555.82	\$ 81.37	5.52%
65.00%	50	49	23,725	\$ 1,782.07	\$ 1,880.31	\$ 98.24	5.51%
5.00%	100	98	3,650	\$ 1,673.18	\$ 1,765.52	\$ 92.34	5.52%
25.00%	100	98	18,250	\$ 2,288.43	\$ 2,414.49	\$ 126.06	5.51%
45.00%	100	98	32,850	\$ 2,903.67	\$ 3,063.46	\$ 159.79	5.50%
65.00%	100	98	47,450	\$ 3,518.91	\$ 3,712.43	\$ 193.52	5.50%
Average	33.24%	31	7,642	\$ 832.88	\$ 879.06	\$ 46.18	5.54%
Median	12.16%	43	3,808	\$ 818.85	\$ 864.27	\$ 45.42	5.55%

NAVOPACHE ELECTRIC COOPERATIVE, INC.
Docket No. E-01787A-16-0144
Test Year Ended September 30, 2015
TYPICAL BILL ANALYSIS - BASE REVENUE ONLY

SECURITY LIGHTS

			EXISTING RATE	PROPOSED RATE	\$ INCREASE	% INCREASE
Consumer Owned Security Lights						
175 Watt MVL	75	\$	9.09	\$ 9.60	\$ 0.51	5.61%
250 Watt MVL	110	\$	11.77	\$ 12.43	\$ 0.66	5.61%
400 Watt MVL	175	\$	19.28	\$ 20.36	\$ 1.08	5.60%
100 Watt HPS	34	\$	5.89	\$ 6.22	\$ 0.33	5.60%
150 Watt HPS	50	\$	8.33	\$ 8.80	\$ 0.47	5.64%
250 Watt HPS	85	\$	10.96	\$ 11.57	\$ 0.61	5.57%
Pole Charge		\$	4.17	\$ 4.40	\$ 0.23	5.52%
Cooperative Owned Security Lights						
175 Watt MVL	75	\$	10.98	\$ 11.60	\$ 0.62	5.65%
250 Watt MVL	110	\$	14.33	\$ 15.13	\$ 0.80	5.58%
400 Watt MVL	175	\$	23.18	\$ 24.48	\$ 1.30	5.61%
100 Watt HPS	34	\$	9.13	\$ 9.64	\$ 0.51	5.59%
150 Watt HPS	50	\$	11.57	\$ 12.22	\$ 0.65	5.62%
250 Watt HPS	85	\$	14.19	\$ 14.99	\$ 0.80	5.64%
Pole Charge		\$	4.17	\$ 4.40	\$ 0.23	5.52%

STREET LIGHTING

			EXISTING RATE	PROPOSED RATE	\$ INCREASE	% INCREASE
175 Watt MVL	75	\$	10.98	\$ 11.60	\$ 0.62	5.65%
250 Watt MVL	110	\$	13.29	\$ 14.04	\$ 0.75	5.64%
400 Watt MVL	175	\$	23.18	\$ 24.48	\$ 1.30	5.61%
1000 Watt MVL	435	\$	41.90	\$ 44.25	\$ 2.35	5.61%
100 Watt HPS	34	\$	5.89	\$ 6.22	\$ 0.33	5.60%
150 Watt HPS	50	\$	8.33	\$ 8.80	\$ 0.47	5.64%
250 Watt HPS	85	\$	10.96	\$ 11.57	\$ 0.61	5.57%

MEMORANDUM

TO: Pamela Genung
Executive Consultant III
Utilities Division

FROM: Nonso Chidebell-Emordi
Electric Utilities Engineer
Utilities Division

THRU: Del Smith
Engineering Supervisor
Utilities Division

DATE: July 18, 2016

RE: STAFF ENGINEERING REPORT - IN THE MATTER OF THE APPLICATION OF NAVOPACHE ELECTRIC COOPERATIVE, INC. , FOR A DETERMINATION OF THE FAIR VALUE OF ITS PROPERTY FOR RATEMAKING PURPOSES, TO FIX A JUST AND REASONABLE RATE OF RETURN THEREON, TO APPROVE RATES DESIGNED TO DEVELOP SUCH RETURN, AND FOR RELATED APPROVALS (DOCKET NO. E-01787A-16-0144).

INTRODUCTION

On May 26, 2016, Navopache Electric Cooperative, Inc. ("Navopache," "NEC," or "Cooperative") submitted a streamlined application under Arizona Administrative Code ("A.A.C.") R14-2-107 ("Rule 107") to increase its rates. This is the second consecutive streamlined application NEC has filed under Rule 107, which provides a shortened timeframe for processing a cooperative's rate application, subject to certain requirements. The first was filed in 2014.

ENGINEERING EVALUATION

Electric System Description

NEC is an Arizona member-owned, non-profit rural electric distribution cooperative headquartered in Lakeside, Arizona. The Cooperative generates approximately 97.2 percent of its revenue from Arizona. The division between Arizona and New Mexico is driven solely by the happenstance of jurisdictional boundaries of two adjoining States rather than by operational realities.

NEC provides electric distribution service to approximately 38,684 meters located in Navajo, Apache, Greenlee and Gila Counties, Arizona and approximately 1,563 meters in Catron County, New Mexico as of February 2016. Service to New Mexico is provided via transmission from Arizona, and is metered at the 69kV primary meter in Lake Luna. A map of the cooperative's

service area is included as Exhibit 1. Navopache is classified as a Class A utility under A.A.C. R14-2-103(A)(3)(q).

The Cooperative purchases the bulk of its power (94 percent) from the Public Service Company of New Mexico ("PNM") along with a small allocation of hydro power (6 percent) from the Western Area Power Administration ("WAPA"). NEC takes delivery of this purchased power from WAPA at the Four Corners substation from April to September, at the Springerville substation from October to March, and year-round at the Zeniff and Show Low substations via an Arizona Public Service Company ("APS") – WAPA service agreement¹. Delivery from PNM is taken at the Coronado and Springerville substations. NEC anticipates a new Power Purchase Agreement ("PPA") with Tucson Electric Power ("TEP") at the end of its current PPA with PNM.

Navopache's electric system within Arizona includes 2,656 miles of overhead and 625 miles of underground distribution, as well as 275 miles of transmission lines. The main distribution feeders are 40 percent looped and 60 percent radial. NEC's retail peak load for 2015 was 72.8 MW.

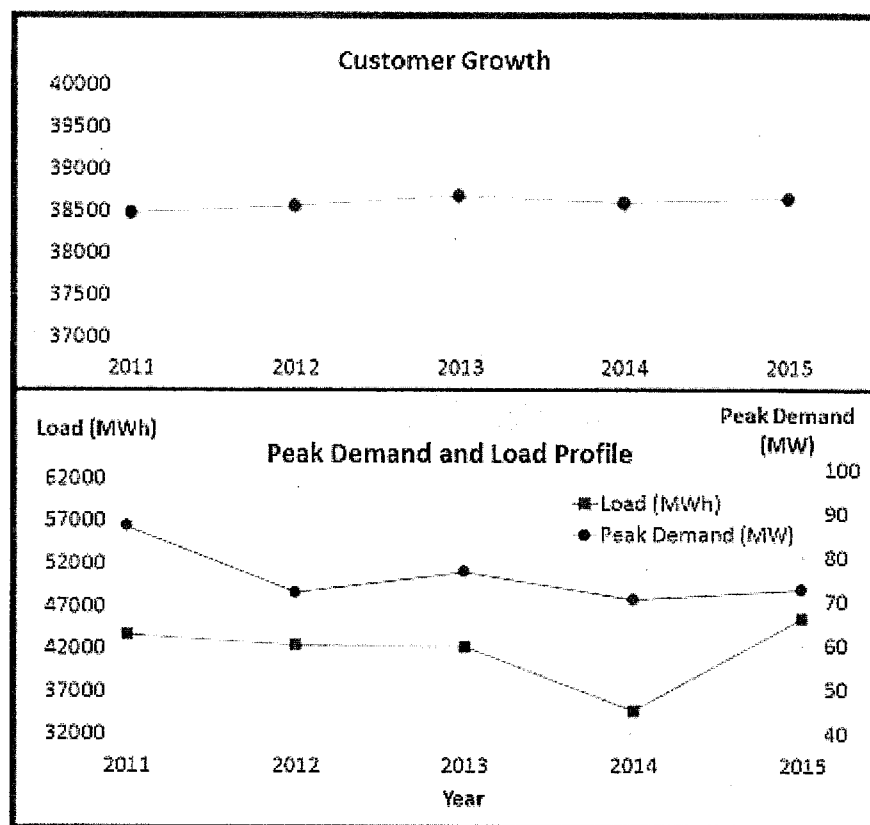
Electric System Characteristics

For the Cooperative's test year ending September 2015, it served 38,621 Arizona customers: 34,966 residential, 3,340 commercial, 9 industrial, and 306 customers classified as "Other" which include lighting, as well as irrigation and pumping. Customer growth over the past five years has remained relatively flat (see figure 1).

Similarly, peak demand has been relatively flat except for 2011 which had an unusually harsh winter. Peak demand is weather – dependent and is not a reliable indicator of system load growth. Annual load in NEC's service area was otherwise consistent for the five years preceding the test year except for an unusually steep drop in 2014 (see figure 1).

¹ WAPA and APS have a Network Integration Transmission Service Agreement ("NITSA").

Figure 1. Customer Growth and Load Profile



According to Navopache, the reason for this drop is weather-related: there was a 12.5 percent drop of heating and cooling degree days from 2013 to 2014. There has also been an uptake in Energy Efficiency (“EE”) and Renewable Energy (“RE”) measures in NEC’s service area leading to a leveling of load overall.

Annual System Losses

Navopache’s system losses are negligible, ranging between 2.9 percent to 4.4 percent. Total annual system losses for the last five years were:

Table 1. System Loss as a Percent of Total Load

Year	Percent System Losses
2011	2.91%
2012	3.32%
2013	3.94%
2014	4.44%
2015	3.83%

The annual historic system losses average was 3.69 percent for this five year period, which is within the acceptable guidelines of the Rural Utilities Service ("RUS") Manual for cooperatives.

Quality of Service

Outages are the metric for quality of service to customers. Outages might be planned, weather-related, due to equipment failure, or switching surges². Outage statistics are categorized into four major causes: outages in the *Power Supplier* and *Planned* categories are analyzed separately because the cooperatives have no control over them; *Major Events* occur when the daily average outage minutes per customer exceed a threshold value (the *Major Events* threshold - as specified by the RUS Bulletin 1730A-119, is specific to the individual cooperative's operating characteristics); the remaining outages are categorized as *All Other*. *All Other* and *Major Events* are separated to better reveal trends in daily operation in the *All Other* cause category that would be hidden by the large statistical effect of *Major Events*. The three most common indices are the System Average Interruption Duration Index ("SAIDI"), the Customer Average Interruption Duration Index ("CAIDI"), and the System Average Interruption Frequency Index ("SAIFI").

The SAIDI measures the total duration of an interruption to the average customer on an annual basis, the CAIDI measures the average time to restore service, while the SAIFI measures the number of times the average customer experiences a power interruption. According to Navopache's engineering manager, NEC does not collect annual SAIFI and CAIDI data.

The SAIDI historical data relative to Navopache's distribution system outages is shown in Table 1. Per the RUS guidelines, a cooperative is considered to be operating satisfactorily, if the SAIDI for "*All Other*" does not exceed 200 minutes³.

In 2012, Navopache experienced two vandalism events: the first involved the shooting of the transformers in the Heber substation, requiring power to be discontinued to 5,000 customers for over ten hours; in the second event the insulators in the Springerville substation vicinity were shot, requiring power interruption in order to complete repairs. These two events significantly contributed to the annual interruption duration of 355 minutes.

Even with these two events, as shown in Table 2, NEC's service quality over the five-year period from 2011-2015 for this metric is acceptable with an average interruption in the "*All Other*" category of 164.9 minutes.

² Power surges caused by utility grid switching.

³ USDA RUS Bulletin 1730A-119.

Table 2. Annual System Average Interruption Duration Index in Minutes

YEAR	SYSTEM AVERAGE INTERRUPTION DURATION INDEX - MINUTES					
	<i>Power Supplier</i>	<i>Planned</i>	<i>All Other</i>	<i>Total Excluding Major Events</i>	<i>Major Events</i>	All Events
2011	14.0	53.6	183.9	187.4	354.0	541.4
2012	100.6	4.4	355.2	335.2	106.0	441.2
2013	0.0	1.2	93.1	190.7	96.4	287.1
2014	0.0	3.0	74.9	77.9	0.1	78.0
2015	0.0	1.0	117.3	117.6	0.0	117.6
Five-Year Average	22.9	12.6	164.9	181.8	111.3	293.1

Distribution System Inspection

Staff, represented by Dr. Nonso Chidebell-Emordi, met with NEC Staff at the Company's headquarters in Pinetop-Lakeside on June 21st, 2016. During the visit, the history of the Cooperative's operations in Arizona and their organization related to customer service, planning, engineering, construction, system operations, distributed generation ("DG"), and maintenance were discussed.

Staff met with Paul O'Dair, Manager of Financial Services; Garth Turley, Manager of Engineering Services; Gayle Gouker, Supervisor of Financial Services; and Chuck Moore, the Chief Executive Officer.

Construction projects completed since the last rate case, Automated Metering Infrastructure ("AMI") deployment, PPAs, DG penetration impact on power quality, system growth and losses, renewable energy ("RE") projects, as well as overall system operations, maintenance, and reliability were discussed. In light of the on-going Cedar Creek fire that, at the time of the site visit, had been burning for over a week in NEC's service area, emergency response and contingency plans were also discussed. Garth Turley then took Staff on a tour of select facilities used to provide service in Arizona.

Staff inspected major substations and construction projects completed since the last rate case in 2014, as well as newly acquired facilities. Portions of the sub-transmission and distribution systems were inspected, including the locations of system improvements and upgrades as described in the information provided by Navopache in the application and Staff data requests.

Major projects inspected included the Wagon Wheel substation, the Heber substation, as well as one of the three communications towers donated by Verizon. Staff noted that the Cooperative has constructed walled fencing and metal gates at the Heber substation in the wake of

the vandalism. Staff was also informed that protection measures for the vandalized insulators in the Springerville substation vicinity have been upgraded.

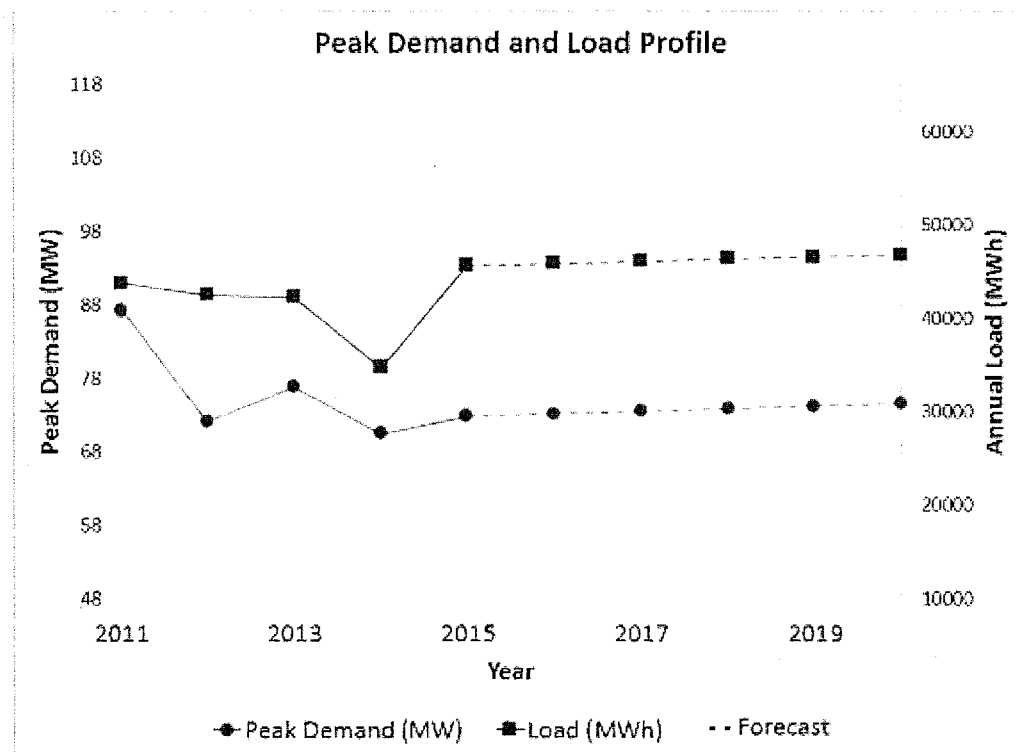
In general, NEC's electric system appears to be well planned and maintained. The Cooperative's routine maintenance program includes, but is not limited to: monthly substation reads and inspections, monthly SCADA device testing, annual wood pole inspection and replacement (10 percent of the system is done annually), annual Oil Circuit Breaker ("OCB") and transformer testing, as well as annual relay testing. The Company is also transitioning from OCBs to Sulphur hexafluoride (SF₆) 69kV circuit breakers in the Heber substation upgrades. SF₆ circuit breakers require minimal maintenance over their lifetime in comparison.

As previously mentioned, at the time of the site visit, the Cedar Fire had been ongoing for over a week. The Cooperative had a well-formulated plan for fire response including mapping and coordination with emergency services. It is worth noting that Navopache's service territory was previously impacted by the Wallow fire in 2011, documented as the largest wildfire in Arizona's history.

Projected System Growth

Navopache provided the following projections for peak demand growth for its Arizona system over the next five-year period (see figure 2). The data were based on assumptions and methodologies that include both historical data as well as projections for the local economy over the next few years. The projections for average annual peak demand and load growth are negligible (0.5 percent annually) and are consistent with the growth expectations of its service area demographic with a third of residences as second homes.

Figure 2: Peak Demand and Load Projections



CONCLUSIONS

Staff's report includes a "used & useful" assessment, as well as power quality analysis. The "used & useful" assessment is largely concerned with utility assets that are eligible for rate base. This assessment ascertains whether a plant, facility, or equipment is actually utilized to provide service and that it is a productive source of value.

Staff reviewed the schedules provided in the NEC filings (Schedules A, B and F) as well as Data Request responses including schematics and maps. These facilities listed in the schedules, and depicted in the schematics and maps include, but are not limited to: operations and maintenance facilities and equipment, communications towers, substations, as well as various other transmission and distribution equipment.

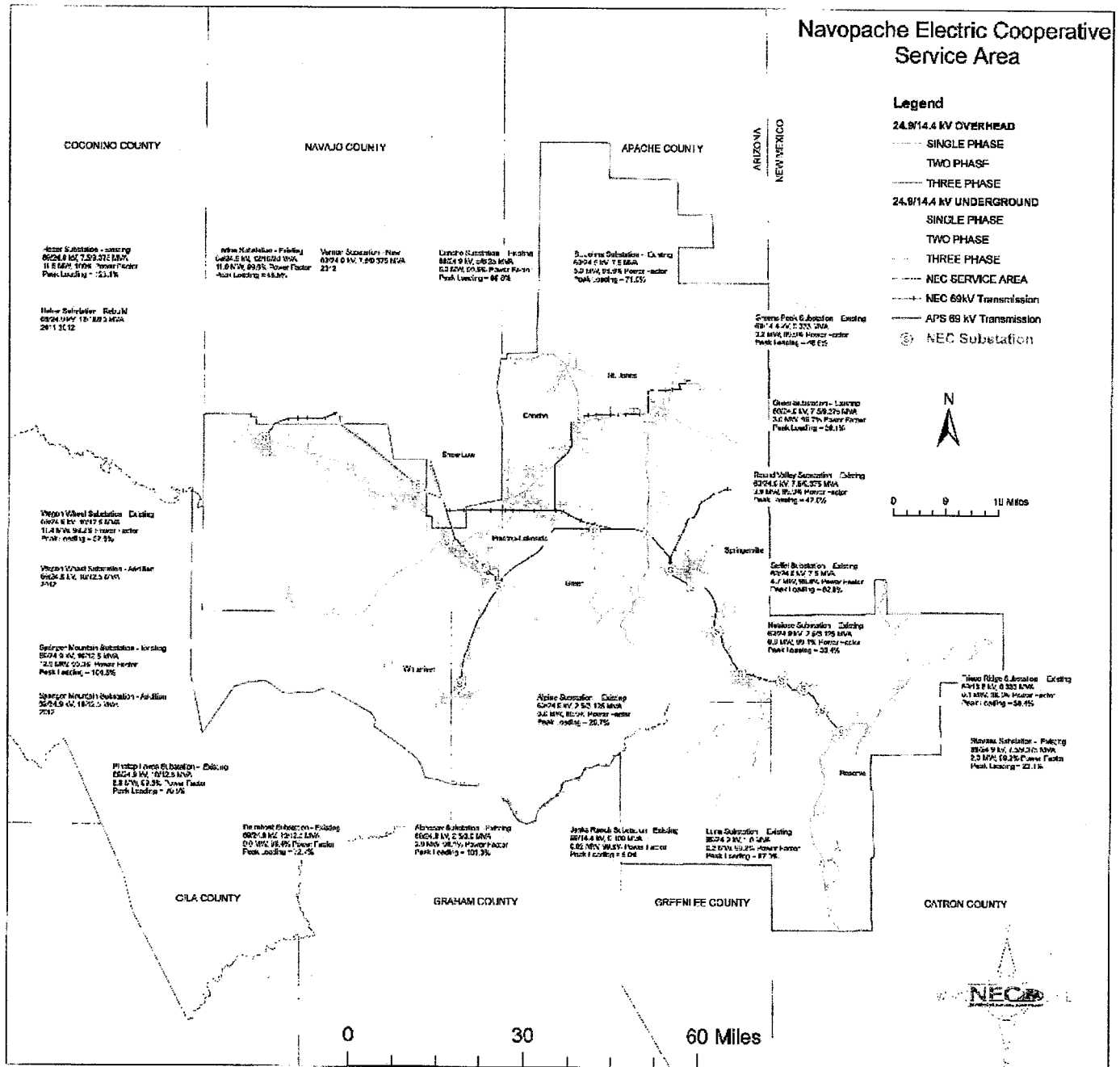
Based on the review of Navopache's Application, inspection of the Cooperative's electric system, discussions with the Cooperative's staff, in addition to responses to data requests, Staff concludes that:

- a. NEC is operating and maintaining its electrical system properly.

- b. NEC is carrying out system improvements, upgrades and new additions to meet the current and projected load of the Cooperative in an efficient and reliable manner. These improvements, system upgrades and new construction are reasonable and appropriate.
- c. The Cooperative's plants, facilities, and equipment in service for the Arizona service territory are "used and useful."
- d. The Cooperative has an acceptable level of system losses, consistent with the industry guidelines, and
- e. NEC's record of service interruptions in the historic period from 2011 thru 2015 reflects a satisfactory quality of service.

EXHIBIT 1

NAVOPACHE ELECTRIC COOPERATIVE – MAP OF SERVICE AREA



MEMORANDUM

TO: Pamela Genung
Executive Consultant III
Utilities Division

FROM: Blessing Chukwu
Executive Consultant III
Utilities Division

BN C

DATE: July 14, 2016

RE: IN THE MATTER OF THE APPLICATION OF NAVOPACHE ELECTRIC COOPERATIVE, INC., FOR A DETERMINATION OF THE FAIR VALUE OF ITS PROPERTY FOR RATEMAKING PURPOSES, TO FIX A JUST AND REASONABLE RATE OF RETURN THEREON, TO APPROVE RATES DESIGNED TO DEVELOP SUCH RETURN, AND FOR RELATED APPROVALS (DOCKET NO. E-01787A-16-0144)

Background

Navopache Electric Cooperative, Inc. ("Navopache", "NEC", or "Cooperative") is an Arizona member-owned, non-profit, rural, electric distribution cooperative. The Cooperative provides electric distribution service to approximately 38,684 customers in Navajo, Apache, Greenlee and Gila Counties, Arizona and an additional 1,563 located in Catron County, New Mexico. The Arizona customers account for approximately 97 percent of Navopache's customers, kilowatt-hours ("kWh") sold and revenue. The current rates for Navopache became effective April 1, 2015, and were approved by Decision No. 74995, issued on March 16, 2015.

On May 26, 2016, the Cooperative filed a permanent rate application pursuant to Arizona Administrative Code ("A.A.C.") R14-2-107 using a test year ending September 30, 2015. The Rate Filing Package Schedules are presented on a total company (system-wide) basis. On May 19, 2016, Navopache filed documentation certifying public notice. On June 20, 2016, the Utilities Division Staff ("Staff") issued a Letter of Sufficiency.

Rate Base, Revenues, and Expenses

The Cooperative treats the original cost rate base ("OCRB") the same as the fair value rate base ("FVRB"). Navopache proposed a system-wide rate base of \$97,601,550, revenues of \$57,345,967, and expenses of \$51,791,358. Staff reviewed the Cooperative proposed rate base, revenues, and expenses and recommends adoption of these proposed rate base, revenues and expense levels.

Revenue Requirement

Applied system-wide, the proposed base revenues of \$50,747,006 are \$1,829,461 or 3.74 percent greater than adjusted test year base revenues of \$48,917,545. The \$1,829,461 includes the increase applicable to Navopache's New Mexico customers.

The proposed revenue requirement would produce a return or operating income of \$5,554,609 for a 5.69 percent rate of return on a rate base of \$97,601,550. The proposed operating margin of \$3,085,252 produces an operating times interest earned ratio ("TIER") of 2.28 and a debt service coverage ratio ("DSC") of 2.00.

Staff recommends approval.

Recommendation

Staff recommends a system-wide revenue requirement of \$57,345,967 which concurs with the Cooperative's proposed revenue requirement.

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 DOUG LITTLE

 Chairman

3 BOB STUMP

 Commissioner

4 BOB BURNS

 Commissioner

5 TOM FORESE

 Commissioner

6 ANDY TOBIN

 Commissioner

7
8 IN THE MATTER OF THE APPLICATION)
9 OF NAVOPACHE ELECTRIC }
10 COOPERATIVE, INC. FOR A }
11 DETERMINATION OF THE FAIR VALUE }
12 OF ITS PROPERTY FOR RATEMAKING }
13 PURPOSES, TO FIX A JUST AND }
14 REASONABLE RATE OF RETURN }
15 THEREON, TO APPROVE RATES }
16 DESIGNED TO DEVELOP SUCH }
17 RETURN, AND FOR RELATED }
18 APPROVALS

DOCKET NO. E-01787A-16-0144

DECISION NO. _____

ORDER

15 Open Meeting
16 November 29 and November 30, 2016
17 Phoenix, Arizona

18 BY THE COMMISSION:

19 Having considered the entire record herein and being fully advised in the premises, the Arizona
20 Corporation Commission ("Commission") finds, concludes and orders that:

21 FINDINGS OF FACT

22 1. In Decision No. 73649, dated February 6, 2013, the Commission adopted revisions to
23 Arizona Administrative Code ("A.A.C.") R14-2-103 and added a new section A.A.C. R14-2-107
24 establishing an alternative streamlined ratemaking application process for non-profit cooperatives
25 providing electric or natural gas utility service ("Rule 107").

26 2. On March 30, 2016, Navopache Electric Cooperative, Inc. ("Navopache, "NEC", or
27 "Cooperative") began the process of a rate application under Rule 107 by submitting to the
28 Commission's Utilities Division ("Staff") a Request for Pre-Filing Eligibility Review in accordance with
A.A.C. R14-2-107(C).

3. On April 29, 2016, NEC met with Staff in accordance with A.A.C. R14-2-107(C)(3) to review eligibility in filing under Rule 107, finalize the form of customer notice and discuss a proposed form of recommended order.

4. On April 29, 2016, NEC filed a Request for Docket Number and Notice of Filing Proposed Form of Customer Notice. A Docket Number was assigned opening this rate application docket.

5. On May 19, 2016, NEC filed a certification of mailing for the Customer Notice. The Customer Notice was mailed via first class mail to all NEC customers on May 6, 2016. The Customer Notice set a deadline of June 6, 2016, for customers of NEC to file intervention requests and/or objections to the rate application that NEC anticipated filing on or about May 26, 2016.

6. On May 26, 2016, NEC filed its application for a rate increase ("the Application") under Rule 107 in Docket No. E-01787A-16-0144.

7. By the close of business on June 6, 2016, the Commission had received one hundred twenty-two (122) objections to the rate increase which is below the 5 percent of all customer accounts¹ or no more than 1,000 customer accounts, whichever are fewer, required to make NEC ineligible for the Rule 107 process. There were two (2) intervention requests filed.

8. On June 17, 2016, by Procedural Order, intervention into the docket was granted to Larry Nuzum and Richard Hamlin.

9. On June 20, 2016, Staff filed a Notice of Eligibility in the docket indicating that NEC met all of the eligibility requirements outlined in Rule 107.

10. On June 20, 2016, Staff filed a Notice of Sufficiency indicating the data provided by NEC in the Application were sufficient in meeting the filing requirements of A.A.C. R14-2-107(E) and classified the Cooperative as a Class A utility.

DESCRIPTION OF NEC

11. NEC is a member-owned Arizona non-profit rural electric cooperative with its principal business office in Lakeside, Arizona. NEC is a public service corporation providing electric distribution

¹ As of May 26, 2016, the total number of Arizona NEC members/customers was 38,684. Therefore, 5 percent of the members/customers is 1,934.

1 service to approximately 38,684 meters located in parts of Navajo, Apache, Greenlee, and Gila counties
2 in Arizona and approximately 1,563 meters in Catron County, New Mexico.

3 12. NEC is a Class A Utility under A.A.C. R14-2-103(A)(3)(q).

4 13. NEC receives its power supply under a power supply contract with Public Service
5 Company of New Mexico.

6 14. NEC has an 8-member Board of Directors ("Board") elected to oversee all aspects of
7 the Cooperative's operations and approve the annual operating budget. The Board approved the filing
8 of this Application at a special meeting of the Board held on March 23, 2016.

9 15. NEC's last rate case was filed on September 11, 2014, (based on a test year ending
10 December 31, 2013) and approved in Decision No. 74995, on March 16, 2015. The current rates went
11 into effect April 1, 2015, for NEC's Arizona customers.

12 **NEC PROPOSALS**

13 16. In the Application, NEC utilized a test year ending September 30, 2015.

14 17. Also in the Application, NEC requested to increase its rates to produce an additional
15 \$2,872,114 in system-wide base revenue over actual test year base revenues of \$47,874,534. This
16 increase represents an increase of 6 percent over actual test year base revenue (the increase is \$1,829,461
17 when compared to adjusted test year base revenue and represents an increase of 3.74 percent over
18 adjusted test year base revenue).

19 18. In its filing, NEC stated the rate application would result in system-wide Operating
20 Income of \$5,554,609 and Net Income of \$3,399,819.

21 19. NEC stated the rate increase is necessary to recover increased operating costs. The rate
22 increase would allow NEC to maintain the financial integrity of the Cooperative.

23 20. As attachments to the Application, NEC submitted audited financial statements for the
24 years ended April 30, 2015 and 2014, in addition to a copy of its certified annual financial and statistical
25 report to the Rural Utilities Service ("RUS") for calendar year 2015.

26 **COOPERATIVE ELIGIBILITY**

27 21. For a cooperative to utilize the streamlined rate case process referred to as Rule 107,
28 several eligibility requirements must be met prior to beginning the process. As documented in the

1 Notice of Eligibility, Staff agrees that NEC has taken the necessary steps to comply with the eligibility
2 requirements of Rule 107.

3 **STAFF ANALYSIS**

4 22. As part of its review of the Application, Staff reviewed the purchased power costs, the
5 fuel bank balance, the base revenue increase and test year data, the level of increase requested for each
6 rate schedule/class, the applicability of capital projects completed since the last rate case and plant in
7 service, the acceptability of system losses and reliability indices, the proposed rate base, revenue, and
8 expenses; and the proposed revenue requirement. Staff also completed a compliance review.

9 23. NEC and Staff are in agreement on all issues in this case.

10 Purchased Power Costs

11 24. NEC reported actual purchased power costs for the test year equal to \$31,312,819. No
12 adjustments were made to purchased power expenses during the test year. Through a sampling of
13 invoices provided by NEC to support reported purchased power costs, Staff found an unreconciled
14 difference that was *de minimis* (less than 1 one-thousandths of a percent). Staff concluded that an
15 adjustment was not needed.

16 25. NEC and Staff agree on the purchased power costs filed in the Application.

17 26. NEC did not calculate a new base cost of power in the Application. Rule 107 specifies
18 that the increase request of a maximum of 6 percent is in base revenue, not attributed to revenue from
19 an adjustor mechanism. The base cost of power (\$0.066160 per kWh) established in Decision No.
20 73255 remains unchanged for the purpose of calculating the Purchased Power Cost Adjustor ("PPCA").
21 The PPCA is designed to recover or refund the difference between the base cost of power included in
22 the Cooperative's base rates and the actual cost of power.

23 27. The PPCA revenue was re-calculated based on the actual purchased power costs which
24 results in a true-up of the purchased power expense and the PPCA revenue collected. A PPCA revenue
25 adjustment was incorporated in the adjusted test year PPCA revenue to account for what should have
26 been collected by the PPCA when comparing purchased power costs to the revenue already collected
27 through base rates. Staff matched the (\$1,292,778) PPCA revenue adjustment in NEC's Application.

28

1 28. The PPCA over/under recovery balance at the end of the test year resulted in an over
2 recovery of revenue from the PPCA. Therefore, a corresponding adjustment for the same dollar amount
3 in the opposite direction was necessary to zero out the effect of the PPCA balance during the test year.

4 29. Staff was able to verify the increase in base revenue from the test year reported revenue.
5 The \$1,043,011 increase to base revenue was directly related to the fact that the new rates approved in
6 Arizona were not in effect throughout all of the test year and the New Mexico rates were not yet in
7 effect during the test year. Arizona base revenue was increased \$991,594 and New Mexico base revenue
8 was increased \$51,419 to account for a full year of new rates in effect.

9 30. NEC and Staff agree on the definition of base revenue and agree the base cost of power
10 should remain unchanged from that established in Decision No. 73255.

11 31. NEC and Staff agree on the methodology utilized to re-state the PPCA.

12 Rate Design

13 32. NEC's proposed increase does not exceed the maximum increase of 6 percent permitted
14 under Rule 107. Also in accordance with Rule 107, the monthly customer charge increases for the
15 residential rate class are less than 25 percent and there are no changes requested to the percentage
16 relationship of the rate blocks. NEC did not propose any rate structure change or non-price tariff
17 change.

18 33. NEC and Staff agree on the rates set forth in Exhibit A, which is attached hereto and
19 incorporated herein.

20 Staff Engineering

21 34. Staff physically inspected NEC's distribution facilities on June 21, 2016. Staff evaluated
22 the Cooperative from an engineering perspective based on key metrics, an analysis of construction
23 projects completed since the last rate case, and analysis of data provided by NEC through discovery, in
24 addition to a facilities inspection.

25 35. Based on its analysis, Staff concluded that NEC:

- 26 A. is operating and maintaining its electrical system properly;
- 27 B. is carrying out system improvements, upgrades and new additions to meet the
- 28 current and projected load of the Cooperative in an efficient and reliable manner,

and these improvements, system upgrades and new construction are reasonable and appropriate;

C. has plant, facilities, and equipment in service for the Arizona service territory that is used and useful;

D. has an acceptable level of system losses, consistent with industry guidelines; and

E. has a record of service interruptions in the historic period from 2011 through 2015 that reflects a satisfactory quality of service.

Rate Base, Revenue, and Expenses

36. The Application requested an increase of \$1,829,461. The Cooperative proposed a system-wide rate original cost rate base ("OCRB") of \$97,601,550 which the Cooperative proposes to use as its fair value rate base ("FVRB"), adjusted test year total revenues (including the proposed increase) of \$57,345,967, and expenses of \$51,791,358.

37. NEC and Staff are in agreement on the proposed rate base, revenues, and expenses and Staff recommends adoption of the proposed rate base, revenues, and expenses.

Revenue Requirement and Rate of Return

38. NEC proposed a revenue requirement of \$57,345,967. The proposed revenue requirement would produce an operating margin of \$3,085,252 for a 3.16 percent rate of return on FVRB of \$97,601,550 and system-wide return or operating income of \$5,554,609 for a 5.69 percent rate of return on a rate base of \$97,601,550.

39. NEC's proposed revenue would produce a 2.28 times interest earned ratio ("TIER") and a 2.0 debt service coverage ("DSC") ratio.

40. Staff has recommended adoption of NEC's proposed revenue requirement.

Consumer Services

41. Staff reviewed the Commission's records between January 1, 2013, and September 7, 2016, and found 68 complaints during that period of time. To date in 2016, Consumer Services has received 6 complaints (3 billing, 2 deposits, and 1 construction related). One complaint remains open pending investigation. All other complaints have been resolved and closed.

42. As noted above, Consumer Services received 122 customer opinions in opposition to the Application which was within the limits to proceed under Rule 107. Two intervention requests were filed by NEC customers. An additional 20 customer opinions were received after the June 6, 2016 deadline. By Procedural Order issued June 17, 2016, intervention was granted to the two NEC customers. The Corporations Division of the Commission finds the Cooperative in "Good Standing".

CONCLUSIONS

43. NEC's Application is in compliance with Rule 107 allowing NEC's rate case to be processed under the alternative streamlined process.

44. NEC's OCRB and FVRB are determined to be \$97,601,550.

45. NEC's proposed rate increases for each customer class are within the guidelines established in Rule 107.

46. During the thirty (30) days customers had in which to object to the rate increase, 122 customers filed objections which is below the number required to cease processing under Rule 107. Two NEC customers filed for and were granted intervention in this docket.

47. Staff is in agreement with NEC's proposed rate base of \$97,601,550, adjusted test year revenues of \$57,345,967, and expenses of \$51,791,358.

48. The rates and charges approved herein will produce an operating margin of \$3,085,252 for a 3.16 percent rate of return on an FVRB of \$97,601,550 and system-wide operating income of \$5,554,609.

49. The rates and charges approved herein will produce a 2.28 TIER and a 2.0 DSC ratio.

50. The rates and charges approved herein will increase system-wide revenues by \$2,872,114 or a 6% increase in actual base revenue (the increase is \$1,829,461 over adjusted base revenue).

51. Staff's recommendations should be adopted.

52. The rate design proposed by NEC and agreed to by Staff should be adopted.

53. The base cost of power should remain at \$0.066160 per kWh.

54. Under the rates approved herein, residential customers will experience a rate increase of \$2.67 per month.

55. NEC and Staff have not requested a hearing in this case.

CONCLUSIONS OF LAW

1. Navopache Electric Cooperative, Inc. is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-250 and 40-251.

2. The Commission has jurisdiction over Navopache Electric Cooperative, Inc. and the subject matter of the Application.

3. Notice of the Application was given in accordance with law.

4. The rates and charges authorized herein are just and reasonable.

5. It is just and reasonable and in the public interest to approve the rates and charges set forth in Exhibit A of this Order.

6. Navopache Electric Cooperative, Inc.'s Application meets the requirements of A.A.C. R14-2-107.

ORDER

IT IS THEREFORE ORDERED that Navopache Electric Cooperative, Inc. is hereby directed to file, on or before January 1, 2017, tariffs with a new schedule of rates and charges consistent with Exhibit A of this Order.

IT IS FURTHER ORDERED that the revised schedules of rates and charges shall be effective for January 2017 usage billed on or after February 1, 2017.

IT IS FURTHER ORDERED that Navopache Electric Cooperative, Inc. shall notify its customers of the revised schedules of rates and charges authorized herein by means of a bill insert, in a form acceptable to Staff, included in its next scheduled billing after a Decision in this case is effective and by posting on the Cooperative's website.

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1 IT IS FURTHER ORDERED that Navopache Electric Cooperative, Inc.'s base cost of power
2 remains at \$0.066160 per kWh.

3 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

4 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

5
6 _____
CHAIRMAN LITTLE

COMMISSIONER STUMP

7
8
9 _____
COMMISSIONER FORESE

COMMISSIONER TOBIN

COMMISSIONER BURNS

10
11 IN WITNESS WHEREOF, I, JODI JERICH, Executive
12 Director of the Arizona Corporation Commission, have
13 hereunto, set my hand and caused the official seal of this
Commission to be affixed at the Capitol, in the City of Phoenix,
this _____ day of _____, 2016.

14
15 _____
16 JODI JERICH
17 EXECUTIVE DIRECTOR

18 DISSENT: _____

19
20 DISSENT: _____

21 TMB: PJG:nr/CHH
22
23
24
25
26
27
28

1 Navopache Electric Cooperative, Inc.
2 Docket No. E-01787A-16-0144

3 William P. Sullivan
4 LAW OFFICES OF WILLIAM P. SULLIVAN, P.L.L.C.
5 501 East Thomas Road
6 Phoenix, Arizona 85012

7 Richard Hamlin
8 3336 East Sequoia Trail
9 Phoenix, Arizona 85044

10 Larry K. Nuzum
11 5780 Forty Niner Way
12 Pinetop, Arizona 85935

13 Janice Alward
14 Arizona Corporation Commission
15 1200 West Washington Street
16 Phoenix, Arizona 85007

17 Thomas Broderick
18 Arizona Corporation Commission
19 1200 West Washington Street
20 Phoenix, Arizona 85007

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NAVOPACHE ELECTRIC COOPERATIVE, INC.

	<u>Approved Rates</u>		
	<u>Present</u>	<u>Dist</u>	<u>Total</u>
	<u>Supply</u>	<u>Wires</u>	
<i>RESIDENTIAL</i>			
<u>Residential</u>			
Customer Charge	\$0.000000	\$ 24.84	\$ 24.84
Energy Charge 1-400 kWh	\$ 0.054000	\$ 0.024580	\$ 0.078580
Energy Charge Over 400 kWh	\$ 0.085000	\$ 0.034070	\$ 0.119070
<u>Residential Time of Use (TOU) 6 Month</u>			
Customer Charge	\$0.000000	\$ 31.34	\$ 31.34
Energy Charge On-Peak kWh	\$ 0.134800	\$ 0.009590	\$ 0.144390
Energy Charge Off-Peak kWh	\$ 0.029000	\$ 0.026840	\$ 0.055840
<u>Residential TOU 12 Month</u>			
Customer Charge	\$0.000000	\$ 31.34	\$ 31.34
Energy Charge On-Peak kWh	\$ 0.134800	\$ 0.009590	\$ 0.144390
Energy Charge Off-Peak kWh	\$ 0.029000	\$ 0.026840	\$ 0.055840
<i>COMMERCIAL AND INDUSTRIAL</i>			
<u>Commercial and Industrial</u>			
Customer Charge	\$ -	\$ 129.00	\$ 129.00
Demand Charge (kW)	\$ 2.50	\$ 8.00	\$ 10.50
Energy Charge First 300 kWh per kW	\$ 0.075000	\$ 0.011110	\$ 0.086110
Energy Charge Over 300 kWh per kW	\$ 0.026000	\$ 0.006220	\$ 0.032220
<u>Commercial and Industrial - Primary</u>			
Customer Charge	\$ -	\$ 262.00	\$ 262.00
Demand Charge (kW)	\$ 2.50	\$ 8.00	\$ 10.50
Energy Charge First 300 kWh per kW	\$ 0.075000	\$ 0.011110	\$ 0.086110
Energy Charge Over 300 kWh per kW	\$ 0.026000	\$ 0.006220	\$ 0.032220
Primary Discount - Demand & Energy	-3.00%	-3.00%	-3.00%
<u>Commercial and Industrial - TOU</u>			
Customer Charge	\$ -	\$ 166.50	\$ 166.50
Demand Charge (kW)	\$ 2.35	\$ 8.05	\$ 10.40
Demand Charge - On Peak (kW)	\$ 14.50	\$ 0.00	\$ 14.50
Energy Charge (kWh)	\$ 0.023500	\$ 0.004840	\$ 0.028340

NAVOPACHE ELECTRIC COOPERATIVE, INC.

	<u>Approved Rates</u>		
	<u>Present</u>	<u>Dist</u>	<u>Total</u>
	<u>Supply</u>	<u>Wires</u>	
<u>Commercial and Industrial - TOU - Primary</u>			
Customer Charge	\$ -	\$ 262.00	\$ 262.00
Demand Charge (kW)	\$ 2.35	\$ 8.05	\$ 10.40
Demand Charge - On Peak (kW)	\$ 14.50	\$ 0.00	\$ 14.50
Energy Charge (kWh)	\$ 0.023500	\$ 0.004840	\$ 0.028340
Primary Discount - Demand & Energy	-3.00%	-3.00%	-3.00%
 <i>SMALL COMMERCIAL</i>			
<u>Small Commercial</u>			
Customer Charge	\$ -	\$ 30.18	\$ 30.18
Energy Charge (kWh)	\$ 0.063800	\$ 0.034460	\$ 0.098260
 <u>Small Commercial - TOU 6 Month</u>			
Customer Charge	\$ -	\$ 39.73	\$ 39.73
Energy Charge - kWh On Peak (Billed Nov-April)	\$ 0.123800	\$ 0.031300	\$ 0.155100
Energy Charge - kWh Off Peak (Billed Nov-April)	\$ 0.028800	\$ 0.036740	\$ 0.065540
Energy Charge kWh (Billed May-Oct)	\$ 0.063800	\$ 0.034460	\$ 0.098260
 <u>Small Commercial - TOU 12 Month</u>			
Customer Charge	\$ -	\$ 39.73	\$ 39.73
Energy Charge - kWh On Peak	\$ 0.123800	\$ 0.031300	\$ 0.155100
Energy Charge - kWh Off Peak	\$ 0.028800	\$ 0.036740	\$ 0.065540
 <i>IRRIGATION AND WATER PUMPING</i>			
<u>Irrigation & Water Pumping</u>			
Customer Charge	\$ -	\$ 43.18	\$ 43.18
Demand Charge (kW)	\$ 5.00	\$ 0.53	\$ 5.53
Energy Charge (kWh)	\$ 0.049800	\$ 0.049680	\$ 0.099480
 <u>Irrigation & Water Pumping - TOU</u>			
Customer Charge	\$ -	\$ 48.18	\$ 48.18
Demand Charge (kW)	\$ 2.40	\$ 3.40	\$ 5.80
Demand Charge - On Peak (kW)	\$ 8.80	\$ 1.15	\$ 9.95
Energy Charge (kWh)	\$ 0.022300	\$ 0.022150	\$ 0.044450

NAVOPACHE ELECTRIC COOPERATIVE, INC.

	<u>Approved Rates</u>		
	<u>Present</u>	<u>Dist</u>	<u>Total</u>
	<u>Supply</u>	<u>Wires</u>	
<i>LIGHTING</i>			
<u>Security Lights - Consumer Owned</u>			
175 Watt MVL - 75 kWh/Month	\$ 4.35	\$ 5.25	\$ 9.60
250 Watt MVL - 110 kWh/Month	\$ 6.38	\$ 6.05	\$ 12.43
400 Watt MVL - 175 kWh/Month	\$ 10.15	\$ 10.21	\$ 20.36
100 Watt HPS - 34 kWh/Month	\$ 1.97	\$ 4.25	\$ 6.22
150 Watt HPS - 50 kWh/Month	\$ 2.90	\$ 5.90	\$ 8.80
250 Watt HPS - 85 kWh/Month	\$ 4.93	\$ 6.64	\$ 11.57
<u>Security Lights - Cooperative Owned</u>			
175 Watt MVL - 75 kWh/Month	\$ 4.35	\$ 7.25	\$ 11.60
250 Watt MVL - 110 kWh/Month	\$ 6.38	\$ 8.75	\$ 15.13
400 Watt MVL - 175 kWh/Month	\$ 10.15	\$ 14.33	\$ 24.48
100 Watt HPS - 34 kWh/Month	\$ 1.97	\$ 7.67	\$ 9.64
150 Watt HPS - 50 kWh/Month	\$ 2.90	\$ 9.32	\$ 12.22
250 Watt HPS - 85 kWh/Month	\$ 4.93	\$ 10.06	\$ 14.99
<u>Security Lights - Pole Charges</u>			
Pole Charges	\$ -	\$ 4.40	\$ 4.40
<u>Street Lights - Cooperative Owned</u>			
175 Watt MVL - 75 kWh/Month	\$ 4.35	\$ 7.25	\$ 11.60
250 Watt MVL - 110 kWh/Month	\$ 6.38	\$ 7.66	\$ 14.04
400 Watt MVL - 175 kWh/Month	\$ 10.15	\$ 14.33	\$ 24.48
1000 Watt MVL - 435 kWh/Month	\$ 25.23	\$ 19.02	\$ 44.25
<u>Street Lights - Consumer Owned</u>			
100 Watt HPS - 34 kWh/Month	\$ 1.97	\$ 4.25	\$ 6.22
150 Watt HPS - 50 kWh/Month	\$ 2.90	\$ 5.90	\$ 8.80
250 Watt HPS - 85 kWh/Month	\$ 4.93	\$ 6.64	\$ 11.57